

California Capital Access Program for Small Businesses 2002 Annual Report

Background

The California Capital Access Program for Small Businesses ("CalCAP") was established by legislation enacted in 1994. The program assists small businesses in obtaining loans through participating financial institutions. For eligible businesses, CalCAP matches loss reserve account premiums paid by borrowers and lenders on loans. The participating financial institutions are entirely liable for loan losses, which can be reimbursed through each lender's CalCAP loan loss reserve fund. CalCAP has been highly successful in encouraging the public and private sectors to work together to increase access to capital for small businesses.

Program Results

Increasing Loan Volume: For calendar year 2002, the program experienced a 57% increase in the number of loans generated. A total of 538 loans (the second highest number of loans in the program's history), totaling approximately \$39 million, were made to California small business owners.

From the program's inception on March 23, 1994 through December 31, 2002, 3,530 loans have been originated under the program, totaling approximately \$484 million for small businesses located throughout California.

Strong Leverage Ratio of Public Funds to Private Lending: For 2002, CPCFA's matching contribution to the participating financial institutions' loss reserve accounts was \$1,698,106. Overall, CPCFA's total contribution to the program is \$20,768,447, which equals a leverage ratio of 1:23 of CPCFA dollars to private financial institution dollars loaned to small businesses.

Financial Condition

Historical Claims Against Loss Reserve Accounts Low: From program inception through December 31, 2002, participating financial institutions have made 302 claims for reimbursement totaling approximately \$38 million (7.9% of the combined loan portfolio). Approximately \$8 million has been recovered by lenders and reimbursed to their loss reserve accounts.

Loss Reserve Balances Sufficient: In Line With Historical Claim Levels: As of December 31, 2002, the combined loss reserve balance of the program's lenders totaled approximately \$13.1 million. The combined outstanding loans, as reported by program lenders for that same period, totaled approximately \$173 million. This results in a ratio of approximately 7.6% of loss reserve funds to outstanding loans, which is sufficient compared to historical claim levels.